Sunway REIT (SREIT MK)

3Q25: Results Beat; SST Impact Eases; Upgrade To BUY

	BUY (Upgraded)
Share Price	RM2.14
Target Price	RM2.31
Upside	8.1%

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Highlights

- 3Q25 results exceeded our expectations due to stronger hotel performances.
- Retail reversion came in at over 10% over three years for 9M25. Management remains upbeat on festive spending in 4Q25.
- Upgrade to BUY with a higher target price of RM2.31 (previously: RM2.05). SREIT maintained its asset portfolio target of RM14-15b by 2027, supported by the planned Sunway Velocity injection and external acquisitions to drive near-term earnings growth.

3Q25 Results

Year to 31 Dec (RMm)	3Q25 (RMm)	3Q24 (RMm)	qoq % chg	yoy % chg	9M25 (RMm)	yoy % chg
Gross revenue	**236.4**	**192.1**	**11.8**	**23.1**	**666.7**	**22.0**
Retail	167.2	130.6	4.5	28.1	495.6	30.2
Hotel	35.0	29.2	109.1	19.7	67.9	0.4
Office	20.1	20.5	(1.2)	(1.9)	60.9	(2.7)
Others	14.1	11.8	(1.5)	18.8	42.3	19.1
Operating expenses	(55.5)	(47.8)	(1.7)	16.1	(173.7)	22.2
Net Property Income	**180.9**	**144.3**	**16.8**	**25.3**	**493.0**	**22.0**
Retail	121.9	91.8	6.8	32.8	352.8	33.2
Hotel	33.9	28.1	117.5	20.6	64.4	(0.5)
Office	11.8	12.9	(3.2)	(8.5)	36.4	(8.5)
Others	13.3	11.5	2.2	15.4	39.3	13.3
Core Net Profit	**128.4**	**89.1**	**25.5**	**44.1**	**335.1**	**31.4**
EPU (sen)	3.7	2.6	25.5	44.1	9.8	31.4
DPU (sen)	0.0	0.0	n.m.	n.m.	5.7	21.9

Source: Sunway REIT, UOB Kay Hian

Analysis

- **Exceeded expectations.** Sunway REIT (SREIT) reported 3Q25 revenue of RM236m (+12% qoq, +23% yoy) and core net profit of RM128m (+26% qoq, +44% yoy). Cumulatively, 9M25 core net profit of RM335m (+31% yoy) accounted for 84% of our and consensus full-year estimates. 3Q25 results exceeded our expectations due to the strong hotel segment performance. We derived our 3Q25 core net profit after excluding: a) RM21m net gain from the disposal of Sunway university and college campus, and b) RM22m fair value loss (mainly due to a fair value gain reversal from the campus disposal).
- **Gearing ratio increased to 33.8% as of end-3Q25** (vs 2Q25: 31.4%). Average cost of debt declined to 3.83% (vs 2Q25: 3.88%) and management expects that to further decline to 3.8% as of end-25.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	704.5	756.9	887.3	894.7	932.8
Operating profit	515.8	559.4	656.6	662.1	690.3
Net profit (rep./act.)	338.2	524.8	448.2	447.7	460.2
Net profit (adj.)	339.1	354.2	448.2	447.7	460.2
EPU (sen)	9.9	10.3	13.1	13.1	13.4
DPU (sen)	9.3	10.0	11.9	11.9	12.2
PE (x)	21.6	20.7	16.4	16.4	15.9
P/B (x)	1.4	1.4	1.4	1.4	1.4
DPU Yld (%)	4.3	4.7	5.6	5.5	5.7
Net margin (%)	48.1	46.8	50.5	50.0	49.3
Net debt/(cash) to asset (%)	34.9	33.7	38.7	41.3	44.1
Interest cover (x)	3.7	3.4	4.0	3.9	3.7
Consensus DPU (sen)			11.2	11.6	12.2
UOBKH/Consensus (x)			1.1	1.0	1.0

Source: Sunway REIT, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	**Real Estate**
Bloomberg ticker:	SREIT MK
Shares issued (m):	3,424.8
Market cap (RMm):	7,329.1
Market cap (US$m):	1,762.0
3-mth avg daily t'over (US$m):	3.8

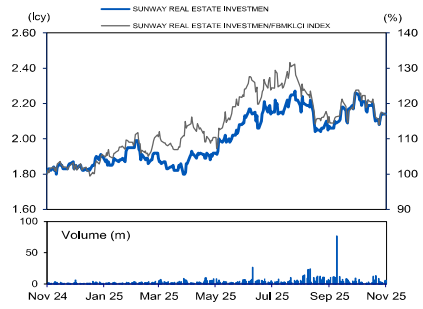
Price Performance (%)

52-week high/low				RM2.32/RM1.65
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(5.3)	(3.6)	11.5	17.6	15.71

Major Shareholders

	%
Sunway Bhd	40.9
Employees Provident Fund	13.5
Kumpulan Wang Persaraan	6.0
FY25 NAV/Share (RM)	1.57
FY25 Net Debt/Share (RM)	1.38

Price Chart



Source: Bloomberg

Company Description

Sunway Real Estate Investment Trust invests in retail, office, and hotel properties.

- **Retail: Sentiment improves as SST dust settles.** 2Q25 retail revenue grew 28% yoy driven by: a) 15% organic growth from AEIs, and b) full-quarter rental contributions from three asset acquisitions. Management noted that rental reversions were sturdier than initially expected, with 9M25 reversion exceeding 10% (vs earlier mid-single-digit guidance for 2H25) and full-year growth likely in the low teens. The decline in retail sales psf narrowed to -3% yoy in 9M25 (-5% yoy in 1H25) as consumer sentiment stabilises after SST adjustments. Looking ahead, 4Q25 retail sales and footfall should be boosted by Christmas and festive spending. 3Q25 retail net property income (NPI) margin rose to 72.9% (3Q24: 70.3%).
- **Hotel: Strong performance driven by meeting, incentives, conferences, and exhibitions (MICE).** 3Q25 hotel revenue grew 20% yoy due to stronger occupancy (+4ppt yoy to 76%) from MICE events. Management expects strong occupancy momentum to continue in 4Q25 with year-end school holidays and festive season. Sunway Resort Hotel revenue grew by threefold qoq, driven by an 85% surge in food & beverage profit.
- **Office: Expected to stay stable.** The yoy drop in 3Q25 office revenue (-2% yoy) and NPI (-8% yoy) was due to a lower occupancy rate (-2ppt yoy to 81%) caused by the non-renewal of a tenant in Wisma Sunway in Jun 25.
- **Industrial and others:** The yoy growth in 3Q25 revenue (+93% yoy) and NPI (+86% yoy) was supported by rental contribution from acquisition of Sunway REIT Industrial – Prai since Oct 24 and improved occupancy rate for Sunway REIT Industrial – Petaling Jaya 1. Overall industrial occupancy rate grew to 85% as of end-9M25 (9M24/1H25: 72%/83%).

Valuation/Recommendation

- **Upgrade to BUY and lift target price by 13% to RM2.31 (from RM2.05).** Our target price implies a 5.1% 2026 dividend yield (vs 10-year mean of 5.5%), based on the dividend discount model (required rate of return: 7.6%, terminal growth: 2.0%). SREIT remains committed to achieving its Transcend 2027 target of RM14b-15b AUM target (vs RM10b as of Sep 25). Key pipeline assets include Sunway Velocity (around RM2b), expected to be injected by end-26 or early-27, and Sunway Square Mall (up to RM1b), supplemented by potential third-party acquisitions.

Earnings Revision/Risk

- We increase our 2025-27 earnings forecasts by 13%/6%/5% respectively to account for the better-than-expected results.

Environment, Social, Governance (ESG) Updates

Environmental

- SREIT aims to achieve Net Zero Carbon Emissions by 2050.
- Established internal carbon pricing framework at RM15 per tonne of CO2e emitted.

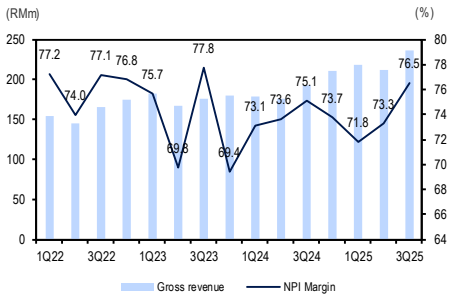
Social

- Established a Sustainability Policy and a Donations, Sponsorships and Corporate Responsibility Policy to guide the execution of sustainability as well as its commitment towards contributing to the communities.
- Formed an Occupational, Health, Safety and Environment Committee at the business segment level.

Governance

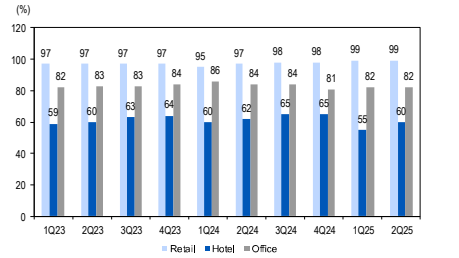
- About 43% of the Board of Directors are women.
- Adopted the Anti-Bribery and Corruption Policy and Procedure and is further supported by the existing Whistleblowing Policy and Procedures.

Revenue and NPI Margin



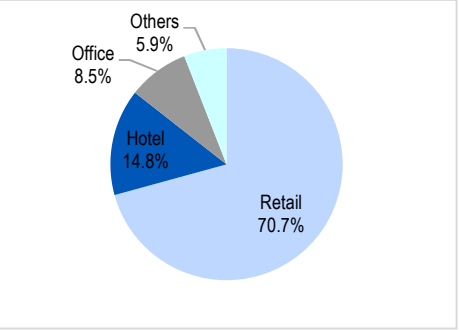
Source: SREIT, UOB Kay Hian

Portfolio Occupancy Rate



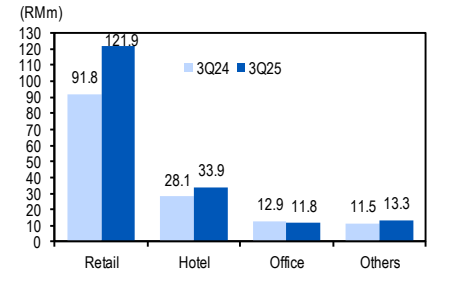
Source: SREIT, UOB Kay Hian

Revenue Breakdown (3Q25)



Source: SREIT, UOB Kay Hian

NPI Contribution By Segment



Source: SREIT, Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**756.9**	**887.3**	**894.7**	**932.8**
EBITDA	559.4	656.6	662.1	690.3
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	559.4	656.6	662.1	690.3
Total other non-operating income	(38.6)	(43.1)	(44.1)	(45.7)
Net interest income/(expense)	(166.6)	(165.3)	(170.3)	(184.3)
Pre-tax profit	**527.7**	**448.2**	**447.7**	**460.2**
Tax	(2.9)	0.0	0.0	0.0
Net profit	**524.8**	**448.2**	**447.7**	**460.2**
Net profit (adj.)	354.2	448.2	447.7	460.2

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	10,401.5	10,671.5	10,941.5	11,211.5
Other LT assets	70.6	70.6	70.6	70.6
Cash/ST investment	289.8	262.8	236.9	212.6
Other current assets	40.8	143.7	163.5	330.9
Total assets	**10,802.6**	**11,148.6**	**11,412.5**	**11,825.5**
ST debt	1,736.7	2,136.7	2,536.7	2,936.7
Other current liabilities	341.7	268.9	271.1	282.7
LT debt	2,835.5	2,835.5	2,835.5	2,835.5
Other LT liabilities	16.6	48.2	(98.1)	(98.1)
Shareholders' equity	5,872.0	5,872.0	5,872.0	5,872.0
Total liabilities & equity	**10,802.6**	**11,161.3**	**11,417.2**	**11,828.8**

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**543.8**	**656.6**	**662.1**	**690.3**
Pre-tax profit	770.8	887.3	894.7	932.8
Deprec. & amort.	0.0	0.0	0.0	0.0
Working capital changes	(246.3)	(230.7)	(232.6)	(242.5)
Other operating cashflows	19.3	0.0	0.0	0.0
Investing	**(1,209.8)**	**(270.0)**	**(270.0)**	**(270.0)**
Capex (maintenance)	(312.9)	(200.0)	(200.0)	(200.0)
Investments	(911.0)	0.0	0.0	0.0
Proceeds from sale of assets	(70.0)	(70.0)	(70.0)	(70.0)
Others	84.2	0.0	0.0	0.0
Financing	**530.5**	**(413.5)**	**(418.0)**	**(444.6)**
Distribution to unitholders	(319.9)	(448.2)	(447.7)	(460.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	7,179.0	200.0	200.0	200.0
Loan repayment	(6,318.6)	0.0	0.0	0.0
Others/interest paid	(10.0)	(165.3)	(170.3)	(184.3)
Net cash inflow (outflow)	**(135.5)**	**(26.9)**	**(25.9)**	**(24.3)**
Beginning cash & cash equivalent	**425.3**	**289.8**	**262.8**	**236.9**
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**289.8**	**262.8**	**236.9**	**212.6**

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	73.9	74.0	74.0	74.0
Pre-tax margin	69.7	50.5	50.0	49.3
Net margin	69.3	50.5	50.0	49.3
ROA	5.3	4.4	4.4	4.4
ROE	9.3	7.9	7.9	8.1
Growth				
Turnover	7.4	17.2	0.8	4.3
EBITDA	8.5	17.4	0.8	4.3
Pre-tax profit	55.2	(14.6)	(0.1)	2.8
Net profit	4.5	26.5	(0.1)	2.8
Net profit (adj.)	4.5	26.5	(0.1)	2.8
EPU	7.5	18.8	(0.1)	2.9
Leverage				
Debt to total capital	77.9	84.7	91.5	98.3
Debt to total asset	77.9	84.7	91.5	98.3
Net debt/(cash) to asset	72.9	80.2	87.5	94.7
Interest cover (x)	3.4	4.0	3.9	3.7

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